Globe Life Inc

Q4 2024 Globe Life Inc Earnings Call

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C O R P O R A T E P A R T I C I P A N T S

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P R E S E N T A T I O N

Stephen Mota - Globe Life Inc - Senior Director of Investor Relations

Thank you. Good morning everyone. Joining the call today are Frank Svoboda and Matt Darden, our Co-Chief executive officers, Tom Kalmbach, our Chief Financial Officer, Mike Majors, our Chief Strategy Officer, and Brian Mitchell, our General Counsel. Some of our comments or answers to your questions may contain forward-looking statements that are provided for general guidance purposes only.

Accordingly, please refer to our earnings release 2023,10-K and the subsequent forms 10-Q on file with the SEC. Some of our comments may also contain no GAAP measures. Please see our earnings release and website for discussion of these terms and reconciliations to GAAP measures. I will now turn the call over to Frank.

Frank Svoboda - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

Thank you Stephen, and good morning everyone. In the fourth quarter, net income was $255 million or $3.01 per share, compared to $275 million or $2.88 per share a year ago. Net operating income for the quarter was $266 million or $3.14 per share, an increase of 12% from a year ago. On a GAAP reported basis, return on equity through December 31 is 21.7%, and book value per share is $62.50. Excluding accumulated other comprehensive income, or AOCI, return on equity is 15.1%, and book value per share as of December 31 is $86.40 up 13% from a year ago.

In our life insurance operations, premium revenue for the fourth quarter increased 4% from the year-ago quarter to $823 million. Life underwriting margin was $336 million up 10% from a year ago, primarily driven by premium growth and lower overall policy obligations. In 2025, we expect life premium revenue to grow at the midpoint of our guidance in the range of 4.5% to 5.0% compared to 4% growth for 2024. As a percentage of premium, we anticipate life underwriting margin to be between 40% and 42%. In health insurance, premium revenue grew 7% to $358 million while health underwriting margin declined 6% to $91 million due primarily to higher claim costs at United American, resulting from higher utilization.

In 2025, we expect health premium revenue to grow in the range of 7.5% to 8.5%, compared to 6.5% growth for 2024. We also expect health underwriting margin as a percent of premium to be between 25% and 27%. We are pleased with the overall premium growth we saw in 2024, as the 4.7% growth in total premium income was well above the 3.4% growth rate in 2023. This is especially encouraging as we come out of the high inflationary period that has put a stress on the US consumer, especially those in the demographic we serve, and demonstrates the resiliency of our business.

Due to the continued efforts of our sales and conservation teams, we anticipate this growth rate to accelerate and be even higher in 2025. Administrative expenses were $91 million for the quarter. The increase is primarily due to higher information technology costs related to maintaining IT software and services, employee costs, and legal expenses. While our expenses in the fourth quarter were higher than prior quarters, they were largely in line with our expectations.

In 2025, we expect administrative expenses to be approximately 7.4% of premium. I will now turn the call over to Matt for his comments on the 4th quarter marketing operations.

J. Matthew Darden - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

Thank you Frank.

At American Income Life, life premiums were up 7% over the year-ago quarter to $433 million and life underwriting margin was up 9% to $199 million. In the fourth quarter of 2024, net life sales were $93 million, and this is up 22% from a year ago and primarily due to increased productivity and agent count growth. The average producing agent count for the fourth quarter was 11,926, up 7% from a year ago. This growth is due to the continued focus on recruiting and improved new agent retention, and I continue to be very pleased by the momentum at American income.

At Liberty National, our life premiums were up 5% over the year-ago quarter to $94 million and the life underwriting margin was up 8% to $34 million. Net life sales increased 1% to $26 million while net health sales were $9 million, down 5% from the year-ago quarter. The average producing agent count for the fourth quarter was 3,743, up 11% from a year ago. I am excited to see the continued agent count growth at Liberty National, which is primarily driven by our recruiting activity and agency middle management growth, and I am confident that this growth in agent count and agency middle management will drive strong sales growth in 2025.

At Family Heritage, the health premiums increased 8% over the year-ago quarter to $111 million and health underwriting margin increased 12% to $40 million. Net health sales were up 6% to $27 million, due primarily to an increase in agent count. The average producing agent count for the fourth quarter was 1,512, and this is up 11% from a year ago. I continue to be pleased to see the agent count growth which is driven by this agency's efforts in recent quarters to emphasize recruiting and middle management development.

At our Direct to Consumer division at Globe Life, life premiums were down 1% over the year-ago quarter to $245 million while life underwriting margin increased 20% to $71 million. Net life sales were $23 million down 11% from the year-ago quarter. Now, as we have mentioned previously, the continued decline in sales is primarily due to lower customer inquiries as we have reduced our marketing spend on certain campaigns that did not meet our profit objectives as a result of higher distribution cost.

Our focus in this area is having a positive impact on our overall margin, as we will continue to focus on maximizing the underwriting margin dollars on new sales by managing the rising advertising and distribution costs associated with acquiring new business.

The value of our Direct to Consumer business is not only those sales directly attributable to this channel, but the significant support that is provided to our agency business through brand impressions and sales leads. As we mentioned last quarter, we expect this division to generate over 750,000 leads during 2025, which will be provided to our three exclusive agencies.

At United American General Agency, here the health premiums increased 9% over the year-ago quarter to $151 million driven by strong prior year sales growth of 23%. Health underwriting margin was $5 million down approximately $9 million from the year-ago quarter due to higher claim costs resulting primarily from higher utilization.

For the full year 2025, we anticipate mid-single digit growth in our underwriting margin due to strong sales and premium pricing actions. Net Health sales were $30 million up 7% over the year-ago quarter.

Now I would like to discuss our projections based on the recent trends and our experience with our business

We expect the average producing agent count trends for the full year 2025 to be as follows. At American Income, mid-single digit growth, at Liberty National, low double-digit growth, and at Family Heritage also low double-digit growth.

We would also like to reaffirm our life and health sales guidance we gave on our last earnings call. And as a reminder, this was net life sales -- net life sales for 2025 are expected to be as follows American Income, high single-digit growth, Liberty National, low double-digit growth, and our Direct to Consumer Division, low to mid-single digit growth.

Now, for health sales, we expect Liberty National, Family Heritage, and United American General Agency to all have low double-digit growth.

Now, before I turn the call back over to Frank for investment operations, I would like to make a few brief comments regarding the inquiries made by the SEC and the DOJ that we have previously discussed.

While these inquiries are still open, there have been no material developments, and neither agency has asserted any claims or made any allegations against Globe Life or AIL, and we are not aware of any actions being contemplated by the SEC or the DOJ.

And with respect to the EEOC matter, as of now there have been no material developments to share outside of what was disclosed within our 10-Q as filed on November 6, 2024. To the extent there is further information to share on any of these items, we will update you accordingly. I will turn the call back now to Frank.

Frank Svoboda - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

Thanks, Matt.

We will now turn to the investment operations

Excess investment income, which we defined as net investment income, less only required interest, was $38 million up $3 million from the year-ago quarter. Net investment income was $282 million up 4%, or $11 million from the year-ago quarter. The increase is largely due to the 3% growth in average invested assets over that period and to a lesser degree, higher interest rates.

Required interest is up 3.5% over the year-ago quarter in line with the growth in average policy liabilities. For the full year 2025, we expect net investment income to be fairly flat and require interest to grow around 2.5%. The growth in both our average invested assets and our average policy liabilities is lower than historical levels due primarily to the reinsurance of approximately $460 million of our inforce annuity reserves that we noted on our last call.

This agreement was effective November 1st. In addition, the impact of higher subsidiary dividends to the Parent in 2025 will also contribute to lower average invested asset growth. As such, we anticipate excess investment income to be flat to down 15%.

Now regarding our investment yield

In the fourth quarter, we invested $378 million in investment grade fixed maturities, primarily in the industrial and financial sectors. These investments were at an average yield of 5.83%, at an average rating of A- an average life of 35 years.

We also invested approximately $52 million in commercial mortgage loans and limited partnerships with debt-like characteristics at an average expected cash return of approximately 8.5%. None of our direct investments in commercial mortgage loans involve office properties. These non-fixed maturity investments are expected to produce additional cash yield over our fixed maturity investments while still being in line with our conservative investment philosophy.

For the entire fixed maturity portfolio, the fourth quarter yield was 5.27%, up 4 basis points from the fourth quarter of 2023, and up 2 basis points from the third quarter. As of December 31, the portfolio yield was 5.25%. Including the cash yield for our commercial mortgage loans and limited partnerships, the fourth quarter earned yield was 5.41%.

Now regarding the investment portfolio

Invested assets are $21.2 billion including $18.8 billion of fixed maturities at amortized cost. Of the fixed maturities, $18.3 billion are investment grade with an average rating of A-. Overall, the total fixed maturity portfolio is rated A-, same as a year ago. Our fixed maturity investment portfolio has a net unrealized loss position of approximately $1.7 billion due to the current market rates being higher than the book yield on our holdings.

As we have historically noted, we are not concerned by the unrealized loss position, as it is mostly interest rate driven and currently relates entirely to bonds with maturities that extend beyond 10 years. We have the intent and more importantly, the ability to hold our investments to maturity. Bonds rated BBB comprise 46% of the fixed maturity portfolio compared to 48% from the year-ago quarter. This percentage is at its lowest level since 2007.

As we have discussed on prior calls, we believe the BBB securities we acquire generally provide the best risk adjusted, capital adjusted returns due in part to our ability to hold securities to maturity regardless of fluctuations in interest rates or equity markets. While the percent of our invested assets comprised of BBB bonds might be a little higher than some of our peers, remember that we have little or no exposure to other higher risk assets such as derivatives, equities, residential mortgages, CLOs, and other asset-backed securities.

Below investment grade bonds remain at historical lows at $525 million compared to $530 million a year ago. The percentage of below investment grade bonds to total fixed maturities is just 2.8%. At the midpoint of our guidance for the full year 2025, we expect to invest approximately $900 million to $1.1 billion in fixed maturities at an average yield of 5.5% to 5.7%, and approximately $300 to $500 million in commercial mortgage loans and limited partnership investments with debt-like characteristics, an average expected cash return of 7 % to 9%. Now I will turn the call over to Tom for his comments on capital and liquidity.

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Thanks Frank.

Let me spend a few minutes discussing our share repurchase program, available liquidity, and capital position

The Parent began the year with liquid assets of approximately $48 million and ended the year with approximately $90 million. In the fourth quarter, the Company repurchased approximately 338,000 shares of Globe Life Inc. common stock for a total cost of approximately $36 million at an average share price of $105.37.

This was slightly higher than we had anticipated in the quarter. For the full year we purchased 10 million shares for a total cost of $946 million at an average share price of $93.76. Including shareholder dividend payments of $85 million, the Company returned slightly more than $1 billion to shareholders during 2024. In addition to the liquid assets held by the Parent—the Parent Company will generate excess cash flows during 2025. The Parent Company's excess cash flow as we define it, results primarily from dividends received by the Parent from its subsidiaries, less the interest paid on debt.

Although our statutory results are not final, we anticipate the Parent Company's excess cash flow for the full year 2025 will be approximately $785 million to $835 million. Excess cash flows are anticipated to be higher in 2025 than in 2024, primarily as a result, as resulting from higher statutory earnings in 2024 than in 2023, as well as the impact of previously discussed reinsurance transactions completed in 2024. Statutory income in 2024 is anticipated to be higher than statutory income in 2023, primarily from favorable investment results, statutory reserve changes, improved mortality results, and lower realized losses.

At the midpoint of our guidance, the anticipated excess cash flows are expected to be used to distribute approximately $85 million to shareholders in the form of dividend payments, and reduce commercial paper to more historical levels, with the remainder expected to be used for share repurchases in the range of $600 million to $650 million absent an alternative use with a higher return to our shareholders.

We anticipate liquid assets at the Parent of around 60 million at the end of the year. We still believe share repurchases provide the best return or yield to our shareholders. Thus, we anticipate share repurchases will continue to be the primary use of the Parent's excess cash flows after the payment of shareholder dividends.

With regards to capital levels at our insurance subsidiaries

Our goal is to maintain our capital levels necessary to support our current ratings. Globe Life targets a consolidated Company Action Level RBC in the range of 300% to 320%. Since our statutory financial statements are not yet final, our consolidated RBC ratio is not yet known. However, we anticipate the final 2024 RBC ratio will be within our targeted range.

Now with regards to policy obligations for the current quarter

As we discussed on prior calls, life and health assumption changes were made in the 3rd quarter. No assumption changes were made in the 4th quarter. The supplemental financial information available on our website provides an exhibit that details the quarterly remeasurement gain or loss by distribution channel.

For the 4th quarter, life obligations continue to be favorable when compared to our assumptions of mortality and persistency, resulting in lower policy obligations and a $19 million remeasurement gain related to experience fluctuations. For the full year encompassing both assumption changes and experience related fluctuations, the remeasurement gain from the life segment resulted in $107 million of lower life policy obligations and for the health segment, $3 million of higher health policy obligations.

In recent quarters, mortality trends in the life segment have been favorable relative to our long-term assumptions. If mortality continues to develop favorably over the next couple of quarters, life obligations will be favorable relative to our long-term assumptions resulting in life remeasurement gains. Conversely, if mortality experience is higher than our long-term assumptions, we will experience life remeasurement losses. Recent mortality lapse experience will inform future updates to long-term assumptions. Which we intend to make in the 3rd quarter of 2025.

For the health segment, we anticipate health obligations for our Medicare supplement and group retiree health products will continue to be elevated given recent claim trends outpacing premium rate increases.

Finally, with respect to our earnings guidance for 2025

For the full year 2025, we estimate net operating earnings per diluted share will be in the range of $13.45 to $14.05 representing 11% growth at the midpoint of our range.

The $13.75 midpoint is higher than our previous guidance due to the favorable mortality experience we have seen in recent quarters in the anticipation that these favorable mortality trends will continue into 2025, resulting in improved life underwriting margins. Those are my comments. I will now turn the call back to Matt.

J. Matthew Darden - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

Thank you Tom.

Those are our comments, and we will now open the call up for questions.

Q U E S T I O N S A N D A N S W E R S

Jimmy Bhullar - JPMorgan Chase & Co. Inc - Analyst

Hey good morning. So first, just a question on your results. I thought overall most of the business metrics were good, but one of the negatives was just a little bit of an increase in 1st year lapses in the Direct Channel and also in Liberty and so hoping if you could discuss what is really causing that and do you expect that trend to continue to get worse as you get through 2026 or 2025.

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Do you want me to take that?

Frank Svoboda - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

Yes

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Yeah, Jimmy I think a couple of things. I think we are pleased overall with that lapse experience has stabilized and AIL actually lapse rates went down a little bit. Overall, for liberty they went down a little bit from sequential quarters. So, I think there is some good news there that, the higher lapse rates that we had seen had stabilized a bit.

On DTC, we are seeing a little bit higher lapse rates that we have historically, and some of that is mix of business that quite a bit of our new business is coming from the internet channel versus—more of our mail, insert, media channels. So those digital channels do experience a little bit higher lapse rates and I think that is part, at least part of the story there.

Frank Svoboda - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

Yeah, one thing, Jimmy, I would just add to that really if you go back and look at American Income and especially kind of their average 1st year lapse rates, especially pre pandemic, we are right in line with where that it is, always fluctuates of course, on a quarterly basis, and really it is not really that measurably higher than even the long term average since, for the last 10,15 years.

Jimmy Bhullar - JPMorgan Chase & Co. Inc - Analyst

Okay, and then on the regulatory investigation, especially on the DOL and The SEC from the outside in, how does one get finality to this because typically those agencies do not tend to put out releases when they are done investigating something unless there is a fine or something else, but what is your view on how somebody would get -- well obviously the passage of time without any new news is a positive but other than that, how does one get finality -- how do, how should we see some finality or resolution to this from the outside.

J. Matthew Darden - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

Yeah, thanks Jimmy. Our intent is to be able to disclose the conclusion of those inquiries when they happen of course we are working through those processes as we speak, but, you are right, generally the agencies themselves do not issue something, but our intent would be able to communicate when those inquiries have been concluded at the time that that happens.

Jimmy Bhullar - JPMorgan Chase & Co. Inc - Analyst

Okay. And then if I just ask one more, on the health business there was some optimism last year that with the reimbursement rate changes on Med Advantage Plans maybe there would be more volumes flowing towards Med supp. It seems like now the trend could actually end up reversing and Med supp, the market might shrink a little bit. What are your thoughts on that given the changes in the administration?

J. Matthew Darden - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

Yeah, that one's an interesting one that we want to watch, there has been some in the new administration that have voiced some optimism around MA plans, but I do believe also there is a segment of consumers and frankly providers that may be disenfranchised with the structure of Medicare Advantage Plans, and I think that would still be a benefit to the Medicare supplement market because people still do like choice and, again, there's certain providers that have not been happy with reimbursements on the MA side. So, it is one of those that we are watching and seeing. I think it is too early to conclude one way or another how that market's going to shake out with the new administration.

Jimmy Bhullar - JPMorgan Chase & Co. Inc - Analyst

Thank you

Jack Matten - BMO Capital Markets - Analyst

Hi, good morning. Just the first question, your excess cash flow guidance and the higher guidance you gave for 2025, I guess, are you able to quantify the different elements of that across the reinsurance, accounting changes and maybe the favorable underlying results that you mentioned? Just trying to get at what, how much of the increase was more maybe one time in nature and how much you would expect to kind of persist into your yearly run rate.

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Yeah, so thanks for the question. Yeah, one of the increases is the reinsurance transactions that we did last year and as I indicated on the call that those were worth about $100 million. So, we actually did file for an extraordinary dividend and got approval at the end of the year. So that is providing some additional excess liquidity to the Parent in 2025, and that is reflected in those numbers as well, which incorporates the impact of those reinsurance numbers.

The other kind of run rate is statutory earnings are a bit higher because of some valuation manual changes, and there's a little bit of a catch up there and in the full year benefit of that was probably closer to $150 million versus the $120 million that I had estimated at last quarter and that probably cuts in half as we kind of look at it as we go, as we go further out into the 20 -- the benefit that we might see from that, from a normal run rate in 2025 and on.

Jack Matten - BMO Capital Markets - Analyst

Okay. A question on the life margin, and the higher guidance there I guess is that something that would flow through kind of the remeasurement gains, I guess I know you had your like assumption review last quarter is there something in particular that is driving like the improved outlook now versus what you had coming out of that review.

Frank Svoboda - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

Yeah, we really saw, I think what, we saw in the 4th quarter was just some really good mortality experience and especially development on the claims that were incurred in, incurred in Q3 and Q2. So as, even though your kind of were looking at some of the favorable experience that we were seeing earlier in the year and that at least was an input into how we thought about the assumptions really in the 4th quarter we just, we saw some very good experience taking place and so we continue to have, a pretty sizable remeasurement gain in Q4 just since that was so much better than that long term assumption that we had in place.

Jack Matten - BMO Capital Markets - Analyst

Thank you.

Elyse Greenspan - Wells Fargo Securities LLC - Analyst

Hi, thanks, good morning, my first question, is on buyback. Should we just think about that kind of being evenly spread, the guide throughout the four quarters of the year and then, I know, right, you guys prior to some of the DOJ investigations, right. There was, some deal you guys were considering, do you consider M&A, I guess kind of returning to the equation in 2025 embedded within your capital outlook?

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Yeah, I will start with that is, we did begin, share repurchases again at the beginning of the year and stopped that as we entered into a blackout period, but we would -- our plan is to continue kind of our historical practices around share repurchases, which is ratable throughout the year and so it might not be evenly ratable, but it is generally consistent throughout the year.

Frank Svoboda - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

And then, and one of the reasons we do do that is that it does allow us to kind of really manage those cash flows so if we do see an M&A opportunity, you know that we think is really beneficial for the shareholders, then we can pivot and use some of those cash flows for that. I mean we will continue to be open to M&A opportunities and continue as we have talked about on prior calls, really looking for something that helps us to expand our offerings, if you will, in the, to serve middle income policyholders, with basic protection products and that comes with some type of distribution. So, we will continue to be, looking for those opportunities and open to those opportunities if they arise.

Elyse Greenspan - Wells Fargo Securities LLC - Analyst

Thanks, and then my second question, health utilization did trend up in the second half of last year. Can you just provide some kind of color on your thoughts for 2025 there as well.

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Yeah, I mean definitely health utilization was high during the course of 2024 and actually we saw it get a little bit higher in 2025. It is kind of one of the reasons why we have adjusted our range for health underwriting margin overall. It is just that we continue to believe that utilization will continue to run a little bit high and outpace the rate increases that we have actually filed and gotten approved for premium increases in 2025.

So, you know over time I think we will catch up with that, but I think in 2025 we do expect to see higher utilization.

Elyse Greenspan - Wells Fargo Securities LLC - Analyst

Thank you.

Wilma Burdis - Raymond James Financial, Inc - Analyst

Good morning. So, if I took out the reinsurance and the evaluation manual updates, I'm estimating organic excess cash flow of around, I think it is around $550 to $600 million. Is that a good base and then the $75 million or I guess half of $150 million that you expect to continue in 2026 over what time frame will that persist? Thank you.

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Thanks, Wilma. I think your base is good. I do not, we have not really finalized, 2024 statutory earnings and so next quarter I will, I could give you a better update on kind of where we think that run rate is. I think one of the things we want to factor in is that, investment income is expected to be fairly flat, so I think that is going to limit some of that upside so we can give you an update next quarter on that as well once we finalize the statutory earnings, but I think you are in the ballpark, anyway. And then on the valuation manual changes, I think we saw in 2024 that was really kind of an impact to the inforce business and so, as the inforce business goes -- as that subsides from the existing inforced business, some of it will be made up by new business that comes on. So I think, although I do not have a crystal ball there, I think that is $70 million that is the midpoint or half of that will decline a little bit over time, but I think a lot of that is sustainable additional statutory earnings.

Wilma Burdis - Raymond James Financial, Inc - Analyst

Okay thank you. And then, could you talk a little bit about what the recruiting and sales environment is like right now from a macro perspective? Middle income consumers seem to be in a modestly better financial condition. Does that have any impact on sales and or recruitment? And then can you talk a little bit about what you are seeing in the market? Thanks.

J. Matthew Darden - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

Yeah, thanks Wilma. I think you know we are still seeing some strong growth in our recruiting efforts and hiring efforts and so we anticipate that to continue forward into 2025 and so that is reflective in the growth numbers that we are anticipating on our agent count side and then of course that translates into our sales growth. One of the things we just wanted to acknowledge, as an example for American Income, we are coming off of 4 prior to Q4 we are coming off of 4 quarters of double-digit growth and in some cases very high, up to 20% growth if I go back, 4 quarters ago. And so, we are tempering that a little bit, just maintaining 15% and 20% agent count growth quarter over quarter is a little bit higher than our historical norms, but again, I still think we are going to have a good environment for 2025 if I look at just our momentum across all three agencies coming out of the end of 2024.

Then on the sales side, we continue to see growth there. We actually as we look at the new business that we are selling, we are having improvements and just the premium on a per policy basis and so. As we have discussed before, the macroeconomic environment, we seem to be pretty resilient from that is, I go back to when we were experiencing 8% and 9% inflation rates, we were still able to grow both on the recruiting agent count side as well as on the sales side. And so we continue to see our customer base, be very resilient. And I think that just gets back to this marketplace continues to have a significant amount of opportunity with a significant number of people that are underinsured or uninsured in this marketplace and we have a good opportunity to continue to develop sales, in that area and, as we have discussed before, the benefit I think of our policies is they're small, they're basic protection, they are easy to understand, they are designed for middle income America and the premiums are small on a relative basis, per month, depending on the channel, they are $30 to $60 a month in premium and so it is not really price prohibitive to take out those kind of policies for our customers.

And I think that gets into the resiliency of our inforce space as we talk about, our lapse rates that we discussed. They move around a little bit, but it is in a pretty narrow band as different economic cycles come and go.

John Barnidge - Piper Sandler Companies - Analyst

Thank you for the opportunity. My first question on agent trends, and I appreciate that you gave the guidance for agent growth for the year, but, and I understand there is some seasonality in 4th quarter with the holidays if that occurs but how have 1st year agents trended in January. Essentially 1st quarter so far across those channels.

J. Matthew Darden - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

Yeah John, you are right, it is not unusual around the holidays, so the latter half of Q4 and, frankly, sometimes that bleeds over into the very first part of Q1. We do have a little bit of seasonality on the recruiting and agent retention side and so our guides are really reflective of the entire year. And generally, we see a pickup in particularly in Q2 and within Q3 of strong agent count growth. And so really, as we have discussed before, we like, we talk about it quarter over quarter, but we really like looking at it on a year over year basis and, what I'm very pleased about is that we have very high correlation between producing agent count and our sales.

So, for example, if you look at a 3-year CAGR for American Income, we have about an 8% agent count growth, and we have about an 8% sales growth over that time frame and similar statistics if walk through Liberty and Family Heritage. So, our long-term potential is really focused on around that 10% agent count growth and trying to achieve a similar number for sales growth that really drives our expectation for our premium earnings that ultimately are in our results for the year. So, I would say, to answer your question, I do not, the 4th quarter activity is kind of what I would expect to be normal from a little bit of seasonality and I think we are starting off strong for this year around what we would expect and how that builds over time.

John Barnidge - Piper Sandler Companies - Analyst

And then on my follow up question. I know you are doing some efforts to get a Bermuda platform up any update you can provide or any markers on the way we should watch out for. Thank you.

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Yeah, thanks, I think we are on track with our analysis, we had communicated that we would update you kind of mid-year as far as what our plans are there and we are on track to do that so we feel pretty good with where we are.

John Barnidge - Piper Sandler Companies - Analyst

Thank you.

Wes Carmichael - Autonomous Research LLP - Analyst

Hey thank you, good morning. I had a broader question on the stock and capital management, but obviously the stock came under some intense pressure last year and you as a management team took some pretty significant actions and bought back a lot of stock, and I understand your guidance for 2025, but as you sit here today, the stock is still trading at a pretty significant price earnings multiple discount relative to historical trends. So just curious how you are thinking about taking any other reinsurance, more significant action, or are you feeling a little bit more business as usual now or are you waiting on maybe some of these investigations to conclude?

Frank Svoboda - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

Yeah, thanks Wes. As we really do look at it, we really do think that there is still some opportunities clearly, in the valuations of our shares, I do think we will continue to look really hard at where are there pockets of opportunity for us to you know, manage that capital. Are there opportunities for us to release some additional capital, over the course of the year, so we are continuing to look at some of those opportunities, and you know we still, we do think that the stock is a good buy, so we will be taking a look at that. Now I say that and I think as we mentioned earlier from a timing perspective, largely want to be thinking about, our share purchases coming over the course of the year and there may be a little bit of a front-end loading on that just a little bit. But for the most part it helps us to manage cash flows over the -- over the course of the year.

But again, I think we will continue to look at opportunities and try to be a little bit aggressive with respect to freeing up some additional cash or additional capital in order to take advantage of the current share price.

Wes Carmichael - Autonomous Research LLP - Analyst

Got it. I think that is helpful and I just had two kind of housekeeping follow ups. I think in the release there was some legal accruals about $12.5 million below the line. That is a little bit chunkier than it -- than it has run. Can you just talk about the nature of what you are booking there? And my follow up was just on commercial paper. Can you give us a sense on how much you are allocating excess cash flows this year for that?

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Yeah, so as you know Globe Life and its subsidiaries are subject to litigation from time to time and it is common in the insurance -- and that is common in the insurance industry in general. We have seen an update, an uptick in litigation claims and expenses over the past several quarters, as well as legal expenses stemming from claims made by recent short sellers. The line item for legal proceedings this quarter includes an estimate of costs associated with settlements of certain litigation claims not related to the DOJ, SEC, or EEOC matters, as well as certain other legal expenses that we incurred. As we are sure you can appreciate, our policy is to refrain from commenting on pending or ongoing legal matters involving the Company or any of its subsidiaries, so we are unable to provide any more detail at this time.

Frank Svoboda - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

And then Wes, I think with respect to the commercial paper right now we are kind of, we are looking at trying to bring that down and probably those more normal levels somewhere in the in the low $300s, I think we ended the year around $415 so you know kind of pointing to around that $100 million or so of use of that to get it back and really, we will kind of look at that over the course of the year and you know look at cash availability and cash flow needs as well but--we kind of manage that to help again manage our overall liquidity risk and how we just think of having cash available for our operations, so we would like to try to get that back into a little bit more of a normal range if we are able to.

Wes Carmichael - Autonomous Research LLP - Analyst

Thank you.

Andrew Kligerman - TD Cowen - Analyst

Hey good morning. So, my first question is around your shift at American Income to virtual.

Clearly 2024 was really strong in terms of recruiting and sales and now you said it would moderate a bit this year, but it is still very good, right? You said, average agent count at AIL would be mid-single digit, and then you said, life sales would be up at American Income high single digit and some of that I think you mentioned was a reflection of higher policy limits, but I am kind of curious like maybe moving out to 2026 or even longer term, you know what kind of an impact is the virtual approach versus, you know in office having on your recruiting on your sales, I mean is this something you know where we could see a big pick up in 2026 again? Like how are you thinking about this longer term? It sounds like something better is happening.

J. Matthew Darden - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

Yeah, thanks Andrew, we started the virtual sales and virtual recruiting during the height of the pandemic and all that was associated with that. We found such a benefit to it is that we have kept that model going forward and really we are seeing a lot of good activity associated with that on the agent recruiting side.

What we see is that I think we are attracting additional individuals that may not have been interested in a sales opportunity that was face to face in a customer's home across the kitchen table, as they would say, now those sales can be done from the comfort of their home or wherever they may be located. And you can see what is happening with corporate America with the return back to the office and you see more and more companies announcing back to the office mandates and the like and that is providing additional tailwind to our opportunity as individuals are looking for flexibility and autonomy and the ability to do that.

And so, that has definitely benefited our recruiting efforts over the last, many quarters as I have mentioned, I go back to starting, in early 2023, we have had 20%, 15%, 13%, etc. agent count growth throughout the end of 2023 through 2024. And I think, that will continue to be a benefit to us, that virtual environment. And then the same thing happens on the sales side is that the ability for our agents to work leads throughout the area where they are licensed so we have seen our agents have an uptick in licensing in multiple states to be able to work leads across state lines and so it is just much more efficient from that perspective if I look at our agent activity as well as, we have the benefit of the consumer has changed. The consumer now is much more used to having virtual interactions, you have virtual interactions with your doctor from a tele-med perspective, and there is a variety of other interactions. And so, you have the consumer much more willing I think now, as compared to prior to 2020, being willing to have sales interactions through a virtual experience as well. So we do not really see that abating, anytime soon. I think that is just kind of a new normal as we go forward and so we think that will continue to be a benefit. I am very pleased with American Income. If I look at as an example, their 5 year CAGR from an agent count growth perspective it is over 9% and that lines up very well with approximately

9% sales growth over that same time frame. So they are very much in lockstep over a longer term perspective. And so, like we have talked about before, we get quarter to quarter fluctuations a little bit, but that long-term growth, we believe it is definitely sustainable.

Andrew Kligerman - TD Cowen - Analyst

Very helpful and then just shifting over to the life underwriting margin which came in at 41%. And you are guiding in 2025 to 40% to 42%. I mean that is pretty nice just given that, in 2023 it was about 38% and as I kind of went through the supplement, it looks like a lot of the benefit this year came from Direct to Consumer was that, is that the right observation? Have you kind of corrected for something in Direct to Consumer, and do you think that 41% is very sustain or 40% to 42% is sustainable beyond 2025?

Frank Svoboda - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

Yeah Andrew, I think you are right in the observation that we really are seeing--some favorable developments on Direct to Consumer, especially, it has been, and that tends to be the -- the segment of the distribution that is a little bit more of a -- insures a wider swath of the US population and does of course tends to have a higher mortality in general than each of the other distributions have. So as there's--coming out of COVID, we are seeing a lot of excess deaths and that is what we are seeing in the US population as a whole, and so it is, as we have been seeing here over the last couple of years especially 2024.

I mean, our pay claims in 2024 have been basically flat, if not dropped a little bit from 2023 while at the same time, premium increased in 2024 by 4%, so we are really seeing that kind of really favorable experience and especially in the last couple of quarters here of this year, Q3, Q4, we just saw a really good experience. And low levels of claims and in certain causes of death, actually, seeing that at below some of those pre-pandemic levels, and so we will see how--I think with respect to 2025, it really depends on will we continue to see that continuing level of favorable mortality persist, or is it a fluctuation that we just happen to maybe be seeing here over the last few quarters, that is within the range kind of takes into account whether or not we continue to see some of that favorable mortality or not.

And we are of course hopeful that we will and then we will be -- and go from there and again beyond 2025, there is a lot of things to kind of work their way out here and we will kind of see, we have talked for the last couple of years of whether there is some pull forward of deaths from COVID and would that result in some better mortality. And of course at the time it was like well it is always possible, but it is really too early to tell and again maybe we are seeing a little bit of that but again we are kind of still waiting to see how that kind of pans out here over the next several quarters and then we will get a better sense of whether we think that will persist or not.

Andrew Kligerman - TD Cowen - Analyst

I mean just a quick follow up on that just more specifically to Direct to Consumer it sounds like you are gaining a little confidence because you guided to low to mid-single digit sales growth is that the right way to think about it.

J. Matthew Darden - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

Yeah, we are really looking at, we think we have kind of bottomed out so to speak, a new level and been able to kind of maintain and grow a little bit from here as we have talked about before that is one of our areas that is a little bit more price sensitive. It is a passive sale that has a little bit more sensitivity to competition and economics, so to speak. So, but we do think -- and that is why we guided to, what we did is we do think we are kind of bottoming out here and being able to have a new level to grow from.

Andrew Kligerman - TD Cowen - Analyst

Thanks so much.

Suneet Kamath - Jefferies Financial Group, Inc - Analyst

Great, thank you. I know you hit on this, earlier, but I just wanted to follow up on potential reinsurance transactions. Should we assume that maybe things are on hold a little bit until you get your Bermuda subsidiary or that whole strategy set up, or could you be contemplating doing something even before that happens?

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

I think we will consider other opportunities, but I think really our focus is quite a bit on that Bermuda completing our analysis on the Bermuda subsidiary and making some final decisions there, but we will be, we are open to some other reinsurance opportunities if they make sense to us. So, but I think it is fair that our priority is on the Bermuda.

Frank Svoboda - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

I would add, there is always some transition as Tom has talked about Bermuda takes a little bit of time to get in place and for, they are actually -- to get some measurable benefits from that type of transaction. So, we are at least open to and thinking about is there something kind of in the interim that helps us to kind of -- we can do something that bridges the GAAP and gives us some benefits a little bit earlier.

Suneet Kamath - Jefferies Financial Group, Inc - Analyst

Okay, that that makes sense. So maybe Bermuda is more of a 2026 kind of story than a 2025 story?

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Yeah, I think it gives a little bit of benefit in 2026. I think the real benefit comes in 2027, once we have two full years of financials for Bermuda sub that we can get reciprocal jurisdiction, which is one of the requirements for doing that.

Frank Svoboda - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

Yes, we really kind of look at that as being a real, we are optimistic at this point in time as far as it being a really good long term, solution if you will or opportunity for us.

Suneet Kamath - Jefferies Financial Group, Inc - Analyst

Got it. And then my second question just on underwriting and remeasurement so are you factoring in remeasurement gains into your plan for 2026 or are we sort of on hold until we go through the unlocking assumption in the third quarter and then we kind of see what happens there.

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Yeah, our range is intended to encompass whether we continue to see favorable mortality trends consistent with where we saw them late in 2024 or they come back a little bit as well. So that is really what is intended in the range and so I think there is a little bit of wait and see, we really, there's no question we had a really good quarter in the fourth quarter, and we would like to just see how that develops and the development of 4th quarter and then the results for 1st and 2nd quarter will inform any assumption update that we make in the 3rd quarter of 2023.

Frank Svoboda - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

And I think you said 2026, but I think you meant 2025.

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

I meant 2025, sorry.

Frank Svoboda - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

So, Tom's answers were for 2025.

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Of course, yeah, I said 2023 again, sorry yeah.

Suneet Kamath - Jefferies Financial Group, Inc - Analyst

Okay thanks.

Tom Gallagher - Evercore ISI - Analyst

Hi, just, first question in Bermuda when you mentioned it might be a really good long-term solution or opportunity, beginning in 2027. I assume that means that you see this more as a sustainable kind of ongoing free cash flow benefit, not just like a one-time release is that is that a fair way to think about how you are approaching it?

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Yeah, Tom, that is exactly how I am thinking about it is that it becomes part of an overall capital management strategy and strategy to return cash to shareholders.

Frank Svoboda - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

And it really goes Tom to just think about capital requirements around the liability side of our balance sheet and the amount of managing that a little bit more efficiently, through that jurisdiction.

Tom Gallagher - Evercore ISI - Analyst

And would it, would you be looking to fund it all yourself or are you contemplating 3rd party sidecar capital vehicles?

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Yeah, not really considering third party side, sidecar capital vehicles. We think it is really just an opportunity for us to do it ourselves that we do not think we need third party capital to be able to make that an effective vehicle.

Tom Gallagher - Evercore ISI - Analyst

Gotcha, and then just one question on the -- final question on the health business. How do we think about the timing of repricing? It sounds like what you have put in place for repricing is somewhat below trend and that is why your margin guide is coming down.

But how do I think about the timing of when the periods of repricing occur? Is it most of it annual? Is it staggered throughout the year? And should we assume margins start low earlier part of 2025 and gradually get better over the year? And what, how do you think that also would play out in the 2026?

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Yeah, so the way that we go through--rate filings and rate evaluation is we generally will make those determinations in the early 3rd quarter and file those with the regulatory agencies. It is really an annual process rather than, you know, a continuous process throughout the year and you know we did see quite a bit of the utilization come through in the earlier part of 2024 and in the later part of 2023, so a lot of the utilization was reflected in our rating, our rate filings that we made with states. It was really kind of the tail end of 2024 that we saw some incremental increases in utilization that did not get factored in, so that would get factored in as well as the experience in early 2025 into our rate filings that we make in 2025, which would then become effective in 2026 and those generally become effective right around the end of the first quarter, beginning of the second quarter is when those rates become effective.

Tom Gallagher - Evercore ISI - Analyst

Gotcha. And do you think based on the trend they are seeing, you, you will be, you would expect some level of improvement in the 2026 or is stable a better assumption for now?

Thomas Kalmbach - Globe Life Inc - Chief Financial Officer, Executive Vice President

Yeah, it is hard to say because it really depends on what happens to utilization, but you know, I think our plan would be to kind of catch up with that into 2026 and things would be more back to more normal. Now if utilization continued to increase above what our rate findings were, we would see a little bit of a drag there and if they came back better, we would see a little bit of a positive there as well so. That is kind of how we are thinking about it right now.

Frank Svoboda - Globe Life Inc - Co-Chairman of the Board, Co-Chief Executive Officer

At least that is our hope is that it would, we would catch up if you will by 2026.

Tom Gallagher - Evercore ISI - Analyst

Okay, thanks.

Wilma Burdis - Raymond James Financial, Inc - Analyst

Somebody covered my question. Thank you.

Operator

There are no further questions on the line, so I will now hand you back to your host for closing or additional remarks.

Stephen Mota - Globe Life Inc - Senior Director of Investor Relations

All right, thank you for joining us this morning. Those are our comments, and we will talk to you again next quarter.